

Office of City Auditor

HISTORIC SEATTLE'S MANAGEMENT OF THE GOOD SHEPHERD CENTER

August 20, 1999

Project Manager: Susan Baugh

City Auditor: Susan Cohen
Deputy City Auditor: David G. Jones

Auditors: Susan Kraght
Eileen Norton
Linneth Riley-Hall
Jerry Stein
Scottie Veinot

Administrative Specialist: Carolyn Yund

City of Seattle

1100 Municipal Building
Seattle, Washington 98104-1876



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August 20, 1999

The Honorable Paul Schell
Seattle City Councilmembers
City of Seattle
Seattle, Washington 98104-1976

Dear Mayor Schell and City Councilmembers:

Attached is our report regarding Historic Seattle's Management of the Good Shepherd Center. The Executive Summary provides a brief discussion of the report's findings and recommendations. The audit conclusion is that the Historic Seattle Preservation and Development Authority is in compliance with the relevant provisions of Ordinance 105956 and the conveyance agreement for the Good Shepherd Center. The formal comments received from the Historic Seattle Preservation and Development Authority and the Wallingford Community Senior Center are contained in Appendix 7.

We appreciate the excellent cooperation received from the Executive Director of the Historic Seattle Preservation and Development Authority and the Wallingford Community Senior Center representatives during the audit process.

If you have any questions regarding this report or would like additional information, please call me at 233-1093 or Susan Baugh at 669-6330.

Sincerely,

Susan Cohen

Enclosure

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EXECUTIVE SUMMARY

INTRODUCTION

This audit of the Historic Seattle Preservation and Development Authority (Historic Seattle) was initiated in June 1999 in response to a formal complaint from representatives of the Wallingford Community Senior Center (Wallingford Senior Center). The Wallingford Senior Center is a tenant of the Good Shepherd Center, which is owned and operated by Historic Seattle. The Senior Center representatives raised numerous issues regarding Historic Seattle's management and operation of the Good Shepherd Center. The audit was conducted to determine whether Historic Seattle's management of the Good Shepherd Center was reasonable and consistent with City policies and directives.

SUMMARY OF SIGNIFICANT ISSUES RAISED AND AUDIT FINDINGS

- **Issues Raised:** Historic Seattle does not own the Good Shepherd Center; it is public property purchased by the City for the purpose of developing a multi-purpose, community center for the Wallingford community. Historic Seattle is not in compliance with the conveyance agreement, so the ownership rights for the Good Shepherd Center should revert to the City.

Findings: Historic Seattle owns the Good Shepherd Center, subject continuously to the terms and conditions of the conveyance agreement. Historic Seattle is in compliance with the relevant provisions of the conveyance agreement that were reviewed during the audit process.

- **Issue Raised:** Historic Seattle has converted the Good Shepherd Center into an office building rather than a self-sustaining, multi-purpose community center. Less than 10% of the available space is leased to tenants who provide social services directly to youth, low-income residents, the elderly and other Wallingford community residents.

Finding: The City, Historic Seattle, the Wallingford Senior Center and greater Wallingford community agree that the Good Shepherd Center does not meet the definition of a City-owned community center (e.g., no recreational facilities for youth), and would like to expand the tenant mix. However, the Good Shepherd Center is regarded as a valuable community resource and the "Home of the Non-Profit Agencies" in the Wallingford community.

- **Issues Raised:** Tenant agencies that directly serve the Wallingford community should be entitled to free or substantially reduced rent. In addition, hourly rental space should be reserved for Wallingford's community use. The Wallingford Senior Center defines the "community" as the Wallingford area.

Findings: Historic Seattle leases or rent space to non-profit tenants at a rate that is less than the full market value and below the rate charged to for profit tenants. Three community-based tenant agencies occupy space at no cost, and the Wallingford Senior Center's rental rate was \$15,000 less than Historic Seattle's 1998 annual operating and maintenance cost for the Senior Center's facilities. Historic Seattle's annual revenues would be reduced by

\$295,000 if a free rent policy was established for the 14 tenant agencies that provide educational services or directly serve youth, low-income, the elderly or the Wallingford community.

The City indicated that the term community referenced in Ordinance 105956 and the conveyance agreement encompasses the City-wide community rather than the Wallingford community exclusively. All but a few Good Shepherd Center tenants currently provide services to City residents. Hourly rental space has been and will continue to be available to Good Shepherd Center tenants, the Wallingford community and the greater City community.

- Issues Raised: Historic Seattle charges the Wallingford Senior Center one of the highest lease rates for senior service facilities in the City, yet qualifies for public funding because the Senior Center is a Good Shepherd Center tenant.

Findings: Wallingford Senior Center's annual rental rate at the Good Shepherd Center is substantially higher than the rental rates charged by the City to the three senior centers housed in City-owned buildings. The three senior centers have entered into mutual and offsetting benefit agreements with the City, which allow the senior centers to provide direct services in lieu of full cash payments. In 1998, the City incurred operating and maintenance deficits for each of the facilities.

Historic Seattle has qualified for numerous Federal and City capital grant funds because the Wallingford Senior Center is a Good Shepherd Center tenant. However, the City does not provide operating funds to Historic Seattle to cover its annual rent subsidy for the Wallingford Senior Center, and requires Historic Seattle to operate the Good Shepherd Center as a self-sustaining, multi-purpose community center.

- Issue Raised: Historic Seattle improperly uses excess revenues generated from Good Shepherd Center leases and hourly rentals for other Historic Seattle purposes. Excess revenues generated from leases and hourly rentals should be used exclusively for the Good Shepherd Center renovations and operations.

Finding: Ordinance 105956 and the conveyance agreement does not restrict Historic Seattle's use of excess lease and rental revenues to the renovation and operation of the Good Shepherd Center. Since 1989, however, Historic Seattle has accumulated the excess revenues, minus its management fee, to complete the renovation of the Good Shepherd Center.

- Issues Raised: Historic Seattle has been allowed to ignore the purposes for which it was chartered as well as other public obligations set forth in City ordinances. The City should terminate the Good Shepherd Center conveyance agreement with Historic Seattle due to non-performance.

Findings: Although the City of Seattle has not conducted any comprehensive compliance reviews of Historic Seattle's management of the Good Shepherd Center, the City has consistently monitored Historic Seattle's performance in response to community concerns.

The City has not formally notified Historic Seattle of any compliance issues or other concerns that would lead to corrective action. Thus, the City does not have a basis for terminating the conveyance agreement.

RECOMMENDATIONS

- Historic Seattle and the Good Shepherd Center and Meridian Playground Advisory Board should continue to explore opportunities to expand the tenant mix at the Good Shepherd Center. Historic Seattle and the Board should also continue to give priority to financially qualified tenants that meet the tenant definitions identified in Ordinance 105956 and Resolution 25341.
 - Historic Seattle should continue its commitment to retain the Wallingford Senior Center's tenancy, and continue to pursue lease arrangements that will result in a reasonable and sustainable lease.
 - Historic Seattle should continue to pursue the mutual and offsetting lease arrangement with the City of Seattle, so the Senior Center can remain at the Good Shepherd Center. If the City does not approve the mutual and offsetting lease arrangement, Historic Seattle should continue to pursue a lease arrangement that is both reasonable for the Wallingford Senior Center and affordable for Historic Seattle.
 - In addition to annual financial reporting, the City Council may want to consider requiring periodic compliance or operational reviews of Historic Seattle and other public corporations. If so, the Council may want to identify the specific roles and responsibilities for the public corporations and relevant City agencies to conduct compliance reviews as well as the timeframes for reporting purposes.
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CHAPTER 1: INTRODUCTION

This audit of the Historic Seattle Preservation and Development Authority (Historic Seattle) was initiated in June 1999 in response to a formal complaint from representatives of the Wallingford Community Senior Center (Wallingford Senior Center). The Wallingford Senior Center is a tenant of the Good Shepherd Center, which is owned and operated by Historic Seattle. The Senior Center representatives raised numerous issues regarding Historic Seattle's management and operation of the Good Shepherd Center. The audit was conducted to determine whether Historic Seattle's management of the Good Shepherd Center was reasonable and consistent with City policies and directives.

BACKGROUND

Historic Seattle is a public corporation chartered by the City of Seattle in 1973 for the purpose of preserving and enhancing the City's architectural heritage. In addition to preservation activities, Historic Seattle was established to promote public understanding of the City's history; develop residential housing; enhance cultural activities; improve open space in public areas; and balance transportation and pedestrian areas. The duration of Historic Seattle's authority is perpetual.

In 1976, the City purchased the historic Home of the Good Shepherd, and transferred the ownership rights for several buildings¹ to Historic Seattle in 1977. Ordinance 105956 authorized the purchase and transfer of the Good Shepherd Center to Historic Seattle, and authorized Historic Seattle to restore and manage the Good Shepherd Center as a self-sustaining, multi-purpose community center. The City's goals, as set forth in the preamble to Ordinance 105956 and the conveyance agreement, were to preserve the building and open space, and to create a self-sustaining, multi-purpose community center that would provide social and other services to youth, low-income residents, the elderly, and the community at large. (Please see Appendix 1 for the complete text of the preamble.) In addition, the City purchased the 11.5-acre site to develop a park and playground for the Wallingford community.

HISTORY OF COMMUNITY CONTROVERSY

Initially, the City's goals for restoring the Good Shepherd Center buildings and establishing a self-sustaining facility appeared to be compatible with the Wallingford Community's interest in a multi-purpose community center. However, Historic Seattle and the Wallingford community, including the Senior Center, have not shared a consistent vision for the Good Shepherd Center. Recurring issues surfaced over ownership rights, management obligations and tenant rights, mismanagement of funds, rental rates, and the appropriate mix of tenants required to maintain both a self-supporting and community-oriented facility. Chapter 2 provides an in-depth discussion of these issues.

¹The City conveyed the titles for main building, north annex with attached garage, and gym/boiler building to Historic Seattle.

AUDIT SCOPE AND OBJECTIVES

This audit was limited to the review of Historic Seattle's management of the Good Shepherd Center. The objective was to determine whether Historic Seattle management of the Good Shepherd Center was reasonable and consistent with City policies and directives. Our review focuses primarily on the issues raised by the Wallingford Senior Center and whether:

- Historic Seattle is in compliance with Ordinance 105956, which authorized the acquisition and development of the Home of the Good Shepherd in 1976.
- Historic Seattle is in compliance with the original Conveyance, Site Development and Property Use Agreement (conveyance agreement) between the City and Historic Seattle for the restoration of the Good Shepherd Center and its operation as a self-sustaining, multi-purpose community center.
- Historic Seattle is in compliance with Ordinance 111865, which adopted the comprehensive site plan for the Good Shepherd Center in 1981 and authorized a supplemental agreement with Historic Seattle to implement the site plan.
- Historic Seattle's policies and practices for the Good Shepherd Center are reasonable and consistent with the City's requirements for developing and maintaining a self-sustaining, multi-purpose community center.

AUDIT METHODOLOGY

Audit staff reviewed and analyzed relevant Washington State laws, and City of Seattle ordinances and policies. In addition, audit staff reviewed both historic and current documents regarding Historic Seattle, the Wallingford Senior Center, and the Good Shepherd Center. Audit staff also interviewed officials, managers, and representatives from the City of Seattle, Historic Seattle, the Wallingford Senior Center, Wallingford Community Council, and the Wallingford Neighborhood Planning Committee.

The study of Historic Seattle and the Good Shepherd Center was conducted between June and July, 1999 in accordance with generally accepted government auditing standards.

CHAPTER 2: HISTORIC SEATTLE

This chapter provides an in-depth review of Historic Seattle's management of the Good Shepherd Center and its compliance with City ordinances, policies, and contractual agreements regarding the operation of the Center. The framework for the review is a series of recurring issues raised by the Wallingford Community Senior Center (Wallingford Senior Center) regarding Historic Seattle's management policies and practices.

WALLINGFORD SENIOR CENTER

The Wallingford Senior Center is a valuable resource for the elderly in the Wallingford Community, providing health, nutritional, social, recreational and educational services. The Wallingford Senior Center has been a Good Shepherd Center tenant for more than 20 years. The Senior Center occupies 4,548 square feet on the first floor of the Good Shepherd Center, with commercial kitchen facilities, large meeting rooms, and offices that are ideally suited to its activities.

The Wallingford Senior Center's annual operating budget is approximately \$110,000, which includes \$21,000 for lease/rental expenses. The City's Aging and Disabilities Services Division provides \$26,000 in annual revenues. The remaining revenues are generated through other small grants and a variety of fund raising events.

The Senior Center has a director, assistant director and part-time staff, who rely heavily on active volunteers to support more than 100 programs and activities each month. The Senior Center's membership has aged, and some dedicated volunteers are no longer able to commit significant time to fund-raising activities. While the Wallingford Senior Center is able to attract new members, the new members are unwilling to assume the same level of responsibility for fund raising. As a result, it has become increasingly difficult for the Wallingford Senior Center to raise sufficient funds to cover its annual expenses. The Senior Center has asked Historic Seattle for free or substantially subsidized rent, indicating that the rent issue is a matter of survival.

Historic Seattle and the greater Wallingford community would like the Senior Center to continue to be a presence at the Good Shepherd Center. In fact, Historic Seattle has not raised the Senior Center's rent since 1985, and the 1985 rent rate no longer recovers the full operating costs for the 4,548 square foot space. Historic Seattle estimates that it currently subsidizes the Senior Center's annual rent by \$15,239,² based on the recovery of its operating expenses, and by more than \$89,000 since 1988.

The Wallingford Community Council offered to assist the Senior Center during its last rent negotiations with Historic Seattle. The Wallingford Community Council was interested in negotiating a reasonable and sustainable lease for the Senior Center. The Senior Center declined their offer because nothing less than free or substantially reduced rent (\$3,000 annually) was acceptable given its services to the community and support in obtaining capital grants for the Good Shepherd Center. The Wallingford Community Council indicated that free rent was not

²According to Historic Seattle, the 1998 subsidy for the Wallingford Senior Center would be \$30,000 based on fair market value.

justified. The Council also suggested that the rent issue was an underlying cause of the Senior Center's opposition to Historic Seattle's proposed housing development at the Good Shepherd Center, and the issues that led to this audit.

SUMMARY OF ISSUES

The Wallingford Senior Center representatives raised the following issues regarding Historic Seattle's ownership, management and operation of the Good Shepherd Center:

- Historic Seattle does not own the Good Shepherd Center; it is public property purchased by the City for the purpose of developing a multi-purpose community center for the Wallingford community. Historic Seattle is not in compliance with the conveyance agreement, so the ownership rights for the Good Shepherd Center should revert to the City.
- Historic Seattle has converted the Good Shepherd Center into an office building rather than a self-sustaining community center. Less than 10% of the available space is leased to tenants, who provide social services directly to youth, low-income residents, the elderly and other Wallingford community residents.
- Tenant agencies that directly serve the Wallingford community should be entitled to free or substantially reduced rent. In addition, hourly rental space should be reserved for Wallingford's community use. The Wallingford Senior Center defines the "community" as the Wallingford area.
- Historic Seattle charges the Wallingford Senior Center one of the highest lease rates for senior service facilities in the City, yet qualifies for public funding because the Senior Center is a Good Shepherd Center tenant.
- Historic Seattle does not provide the Wallingford Senior Center and other tenants adequate notification and opportunity to comment on proposed developments. The six-unit housing development recently proposed by Historic Seattle is incompatible with the existing uses of the Good Shepherd Center.
- Historic Seattle improperly uses excess revenues generated from Good Shepherd Center leases and hourly rentals for other Historic Seattle purposes. Excess revenues generated from leases and hourly rentals should be used exclusively for the Good Shepherd Center renovations and operations.
- Historic Seattle is non-responsive to tenant requests for maintenance services at the Good Shepherd Center.
- Historic Seattle has been allowed to ignore the purposes for which it was chartered as well as other public obligations set forth in City ordinances. The City should terminate the Good Shepherd Center conveyance agreement with Historic Seattle due to non-performance.

The Wallingford Community Council investigated many of the issues addressed in this audit in 1997. The Wallingford Community Council formed a subcommittee³ to review 34 issues raised by the Wallingford Senior Center and other boards, committees and individuals, regarding the Good Shepherd Center. The Council noted that many issues were resolved during the

³Three of the five Wallingford Community Council Subcommittee members were also members of the Wallingford Senior Center.

investigation, but documented significant findings and recommendations in a published report. The significant report findings and recommendations are summarized in Appendix 2, and are referenced throughout this audit report.

FINDINGS AND RECOMMENDATIONS

Issue Raised: Historic Seattle does not own the Good Shepherd Center; it is public property purchased by the City for the purpose of developing a community center. Historic Seattle is not in compliance with the conveyance agreement, so the ownership rights for the Good Shepherd Center should revert to the City.

Findings: The City of Seattle purchased the Home of the Good Shepherd, situated on 11.5 acres, for \$837,000 in 1976. The Center was purchased at the request of the Wallingford community for the purposes of preserving the historic landmark and developing a self-sustaining, multi-purpose community center and playground. In 1977, the City transferred the ownership rights and titles to certain buildings and property to Historic Seattle through a conveyance agreement. The buildings and property conveyed to Historic Seattle are now commonly known as the Good Shepherd Center, and the remaining property is now known as the Meridian Playground.

According to the City Law Department, Historic Seattle owns the Good Shepherd Center based on the property transfers identified in Sections 5, 6, and 16 of the conveyance agreement. Section 5 transfers the buildings and appurtenances to Historic Seattle. Section 6 transfers the rights to maintain the buildings and the underlying ground for a term of 25 years or for the life of the buildings. Section 16 requires Historic Seattle to use and operate the buildings as a self-sustaining, multi-purpose community center. Thus, Historic Seattle's ownership rights to the Good Shepherd Center are clearly conditioned on the use of the buildings as a self-sustaining, multi-purpose community center.

The Wallingford Senior Center asserts that Historic Seattle did not develop the Good Shepherd Center as a community center, so its ownership rights should revert to the City. Section 26 of the conveyance agreement establishes the conditions under which the City can terminate the conveyance agreement and reclaim ownership of the Good Shepherd Center. These conditions include Historic Seattle's failure to develop and use the buildings as a self-sustaining, multi-purpose community center.⁴

Ordinance No.105956 and the conveyance agreement contain broad references to a community center that would provide social and *other services* to youth, low-income residents, the elderly and *the community at large*. The broad language has been the source of much debate between the City, Historic Seattle and the Wallingford community. However, both the City Law Department and the Wallingford Community Council concluded that it was impossible to

⁴Other causes for potential termination of the conveyance agreement include failure to: conduct business without discrimination; complete the Phase I, II and III renovations; guarantee equal employment opportunities for work financed with City funds; maintain the buildings in a safe and sanitary condition, and the exterior and appurtenances in good repair; and secure and maintain adequate liability coverage.

evaluate or enforce specific “unwritten” uses at the Center due to the broad-based language contained in the original conveyance agreement.

Despite the ambiguity regarding the specific uses of the Good Shepherd Center, there is general consensus among all parties that Historic Seattle has successfully renovated the Good Shepherd Center and developed a self-sustaining facility. The general Wallingford community, including many Wallingford Senior Center representatives, believes that Good Shepherd Center is a valuable community resource, and its operation is consistent with Ordinance No.105956 and the conveyance agreement.

City managers and staff also indicated that no action has been taken by the City to terminate the conveyance agreement, or regain title to the Good Shepherd Center, because Historic Seattle is in compliance with the Ordinance 105956 and the conveyance agreement. Consequently, Historic Seattle owns the Good Shepherd Center, subject continuously to the terms and conditions of the conveyance agreement.

RECOMMENDATION: None.

Issues Raised: *Historic Seattle has converted the Good Shepherd Center into an office building rather than a self-sustaining, multi-purpose community center. Less than 10% of the available space is leased to tenants who provide social services directly to youth, low-income residents, the elderly and other Wallingford community residents.*

Findings: Historic Seattle, City and Wallingford community representatives agree that the Good Shepherd Center does not provide the range of facilities or programs that are typically associated with City-operated community centers, such as youth-oriented recreational facilities. However, the greater Wallingford community considers the Good Shepherd Center to be an important community resource. In fact, the Wallingford community refers to the Good Shepherd Center as the “home of the non-profits” on its web page.

Currently, 24 of the 36 (67%) Good Shepherd Center tenants are not for profit agencies (please see Appendix 3 for a listing of current tenants, profit/not for profit status, and lease area). Exhibit 1 below displays the aggregate square footage and lease rates for Good Shepherd Center for profit and not for profit tenants.

EXHIBIT 1 GOOD SHEPHERD CENTER LEASE STATISTICS				
Type Of Agency	Square Feet	Percent of Area	Average Lease Rate	Lease Rate Range
For Profit	11,795	22.86%	\$13.45	\$8.97 to \$16.33
Not for Profit	39,790	77.14%	\$9.73	\$4.62 to \$14.98
Total	51,585	100.00%	\$10.58	\$4.62 to \$16.33
Source: Historic Seattle Projected 1999 GSC Tenant Statistics. Note the lease rates vary for both groups due to locations and amenities such as views.				

As shown in Exhibit 1, the not for profit tenants occupy 39,790 of 51,585 square feet, or 77% of the available lease area in the Good Shepherd Center. Historic Seattle's lease rates for the not for profit tenants range between \$4.62 and \$14.98. The average annual not for profit lease rate average is below market value and \$3.72 per square foot less than the for profit average annual lease rate of \$13.45. According to Historic Seattle, the average not for profit lease rate includes the Wallingford Senior Center, which occupies 8.75% of the available lease area at a lease rate that is \$1.38 square foot less than Historic Seattle's operating cost. The not for profit lease rate also includes four agencies that occupy 2.44% of the available lease area at no charge.

The Wallingford Senior Center correctly stated that the tenants currently identified as social service agencies occupy a small percentage of the available lease space. Only 4 of the 36 tenants are designated social services agencies, and occupy 15% (rather than 10%) of the available lease area. However, many of the other tenants provide "other services" to youth, low-income residents, the elderly and the community at large, as specified in the preamble to the conveyance agreement and Resolution 25341, respectively. Resolution 25341⁵ refers to the multi-purpose use of the Good Shepherd Center for educational and cultural activities, community and social services, recreational activities, and programs for youth, the elderly and the community at large.

In fact, a total of 14 current Good Shepherd Center tenants could be designated as agencies that meet the definitions provided in Ordinance 105956 and Resolution 25341. For example, the not for profit Meridian School and Alliance Française both serve youth and provide educational activities as envisioned in Ordinance 105956 and Resolution 25341. In addition, the Program for Early Parental Support (PEPS) provides social services to youth and low-income residents, and draws clients from the Wallingford-Meridian area. (The 14 tenants are listed in Appendix 4 along with the appropriate use designations identified in Ordinance 105956 and Resolution 25341.) Approximately 32,346.5 square feet, or 62.71% of the total leaseable area at the Good Shepherd Center, is occupied by the 14 tenants who meet specific tenant definitions in Ordinance 105956 and Resolution 25341.

⁵Resolution 25341 was passed in 1976 in order to assist Historic Seattle in applying for a grant from the Economic Development Administration for redeveloping the Good Shepherd Center. The resolution refers to the multi-purpose use of the Good Shepherd Center facilities for education and cultural activities, community and social services, recreational activities, and programs for youth, the elderly and the community at large.

Nevertheless, the Wallingford Senior Center and greater community have consistently expressed interest in expanding the number of social service tenants at the Good Shepherd Center, and Historic Seattle has provided the community an opportunity to directly influence the selection of tenants through the Good Shepherd Center tenant selection process. Historic Seattle developed the tenant selection policy and process in cooperation with the Good Shepherd Center and Meridian Playground Advisory Board.⁶ A tenant rating form and point system were also developed to objectively evaluate prospective tenants. The highest possible points are awarded to tenants who *further the goals of tenant occupancy and contribute to the multi-purpose community center*, followed by *compatibility with the neighborhood*.

Each of the current tenants was evaluated by the Advisory Board's tenant selection committee, or the full Advisory Board, and referred to the Historic Seattle Council for approval. The Wallingford Community Council, who has three positions on the 11-member Advisory Board, believes that community has both a responsibility and sufficient opportunity to select tenants that balance the full use of the Good Shepherd Center with the immediate community's needs through the tenant selection process. The Historic Seattle Council confirmed the importance of the Advisory Board's recommendations, indicating that the Council had not overturned any Board recommendations.

A tenant emphasis on general not for profit agencies, as well as social service agencies, was established prior to Historic Seattle's ownership of the Good Shepherd Center. The Seattle Opera Association, Pacific Northwest Dance Association, and Factory of Visual Arts were non-profit, non-social service tenants of the Good Shepherd Center prior to the City's purchase of the facility. In addition, the Feasibility Study for the Good Shepherd Center (feasibility study) references the "development of a strong program for the use of the center by non-profit and service organizations whose activities and support would facilitate the long-range acquisition, development and maintenance of the community center."

Finally, it should be noted that the Wallingford Community Council does not want to convert the existing Good Shepherd Center space or displace the tenants to provide facilities associated with City-operated community centers. In fact, the Neighborhood Planning Committee is exploring opportunities to develop community facilities and programs for youth within existing, but unused school district buildings.

RECOMMENDATION: Historic Seattle and the Good Shepherd Center and Meridian Playground Advisory Board should continue to explore opportunities to expand the tenant mix. Historic Seattle and the Board should also continue to give priority to financially qualified tenants that meet the tenant definitions identified in Ordinance 105956 and Resolution 25341.

⁶While Ordinance 105956 of the conveyance agreement does not require Historic Seattle to consult with outside groups, Historic Seattle established the Good Shepherd Center and Meridian Playground Advisory Board in 1983 to advise on the management and use of the Center. The Advisory Board is currently comprised of 11 members. Six (6) of the 11 representatives are from the Wallingford Community Council, Senior Center, Chamber of Commerce, and the immediate neighborhood.

Issues Raised: Tenant agencies that directly serve the Wallingford community should be entitled to free or substantially reduced rent. In addition, space should be reserved for hourly community use. The Wallingford Senior Center defines “community” as the Wallingford area.

Wallingford Senior Center representatives contend that tenant agencies that provide the direct social services to the Wallingford community, as identified in the preamble, are entitled to free or substantially reduced rent. The Senior Center representatives indicated that free or reduced rent is justified economically, because Historic Seattle generates approximately \$60,000 to \$70,000 annually in “excess” lease/rental fees, and can easily absorb the \$21,000 annual rental fee. Three other tenant agencies that serve the Wallingford community—the Wallingford Volunteer Food Bank, the Gray Panthers, and Wallingford Community Council—occupy space at no charge.

However, nine additional agencies, including the Meridian School, the Washington Coalition of Citizens with disAbilities, and PEPS, also fall within the specific terms of the Ordinance 105956 and Resolution 25341. (Please see Appendix 4 for a listing of all 14 tenants and the relevant service designations.) These agencies, which currently pay an average rent of \$9.12 per square foot, would then be eligible for free rent based on the Senior Center’s rationale. Historic Seattle’s revenues would decline by approximately \$295,000 annually (\$9.12 times 32,346.5 square feet.)

It should be noted that the City broadly defines the term “community” that is referenced in Ordinance 105956 and the preamble to the feasibility study. The City indicated that the term encompasses the City-wide community rather than the Wallingford community exclusively. All but a few Good Shepherd Center tenants currently provide services to City of Seattle residents. Hourly rental space has been and will continue to be available to Good Shepherd Center tenants, the Wallingford community and the greater City community.

The rent entitlement issue also raises interesting questions regarding the for-profit Good Shepherd Center tenants whose clients include Wallingford, low-income, youth, and elderly residents. The for-profit tenants pay higher rents, which help subsidize the lower rents for the not for profit tenants.

- Are these agencies also entitled to some portion of subsidized or free rent for the hours/units of services to Wallingford residents?
- As higher rents are required from the other for profit and not for profit tenants to subsidize the “true Wallingford” tenants, will these groups be able to afford space in the Good Shepherd Center?
- If the rents are increased to subsidize more “designated” tenants, can Historic Seattle maintain the 100% occupancy rate that it currently maintains under the existing lease/rent structure?
- Most importantly, will the Good Shepherd Center continue to be self-sustaining in accordance with the terms of the conveyance agreement?

Ordinance 105956 and the conveyance agreement for the Good Shepherd Center required Historic Seattle to develop and maintain a self-sustaining facility. The feasibility study for the Good Shepherd Center assumed that the Good Shepherd Center could be self-sustaining through lease/rental revenues, and that all building users would be *rent producing tenants*. In fact, the Good Shepherd Center has been self-sustaining since 1984, using operating revenues that are generated almost exclusively from lease and rental fees. Historic Seattle does not receive any operating revenue from the City, and cannot afford an unlimited free rent policy.

As noted earlier, the Wallingford Community Council actively supports the work and presence of the Senior Center at the Good Shepherd Center, and offered to assist the Senior Center in its rent negotiations with Historic Seattle. The Council supported the Senior Center's interest in a reasonable and sustainable lease for a two to five year period, and found no sound reason to justify free rent at the Good Shepherd Center. The Board of the Wallingford Community Council also asked the Wallingford Senior Center to develop a more constructive approach to dealing with the rent issues.

The Wallingford Community Council also indicated that free rent for a single use of the facility was out of line with the conveyance agreement and that a below market value rent was acceptable for the Senior Center's facilities. Although rent relief is a possible option that Historic Seattle offered to discuss with the Senior Center and Council, the Senior Center declined to discuss any proposals less than "free rent." The Wallingford Senior Center Rent Committee indicated that it opened its most recent negotiations at \$3,000 annually for its facilities in the Good Shepherd Center.

RECOMMENDATION: Historic Seattle should continue its commitment to retain the Wallingford Senior Center's tenancy, and continue to pursue lease arrangements that will result in a reasonable and sustainable lease.

Issue Raised: Historic Seattle charges the Wallingford Senior Center one of the highest lease rates for senior service facilities in the City, yet qualifies for public funding because the Senior Center is a Good Shepherd Center tenant.

Findings: As noted earlier, the Wallingford Senior Center is an important presence in the community. Senior Services of Seattle-King County directly paid the annual rent for the Wallingford Senior Center at the Good Shepherd Center until December 1995. Senior Services withdrew their support at that time due to funding constraints and the need to consolidate multiple senior programs located in north and northwest Seattle. Senior Services and Centers' expectation was that the Wallingford seniors would be served at the Tallmadge-Hamilton House in the University District, Greenwood Senior Center located at North 8th Street, or the Northwest Senior Center in Ballard following the closure of the Wallingford Senior Center.

While the Wallingford Senior Center was able to secure alternate funding for rent from the City's Aging and Disability Services, it has been increasingly difficult for the Wallingford Senior Center to raise sufficient revenue to cover its annual operating expenses. The Senior Center

recently sought and received approval from the City to use \$21,000 provided for rent for other direct senior services. The Senior Center is now seeking free or substantially reduced rent so the City's aging funds can be used for direct senior services.

The Senior Center believes Historic Seattle should provide free or substantially reduced rent for three reasons. First, as noted earlier, Historic Seattle generates more revenues annually than needed to operate the Good Shepherd Center. Second, the senior centers that operate in City-owned facilities provide service hours⁷ in lieu of a portion of their annual rent fees through mutual and offsetting benefit agreements with the City. This means that the cash portion for the lease fees are substantially less than the amount paid by the Wallingford Senior Center to Historic Seattle. Third, Historic Seattle qualifies for certain types of grant funding, because the Senior Center is a Good Shepherd Center tenant.

The Wallingford Senior Center correctly states that other senior centers that operate in City-owned buildings under mutual and offsetting benefit agreements pay substantially less "cash" rent. The Central Area, Greenwood, and Northwest Senior Centers are the three agencies with mutual and offsetting benefit agreements with the City. Greenwood and Northwest Senior Centers did not pay any cash rent in 1998.⁸ The Central Area Senior Center paid \$2,957. Thus, the Wallingford Senior Center paid substantially more rent in 1998 than the senior centers that were housed in City-owned facilities, and paid 610% more than the Central Area Senior Center, which was the only center that made a cash payment.

However, the City is not required to operate the senior centers as self-sustaining facilities. In fact, the City incurred an operating and maintenance deficit in 1998 that ranged between \$5,703 and \$10,618 for each of the three facilities. The deficit figures do not include the loss of potential City rental revenues for the three facilities that were recently appraised between \$451,000 and \$1.3 million.

The Chair of the Good Shepherd Center/Meridian Playground Advisory Board notes that Historic Seattle's policy is to attempt to make space available at below market rate for community-based and other non-profit organizations. Historic Seattle has met its obligation by leasing/renting space for community and non-project agencies at less than the full market rate, and by renting to the Wallingford Senior Center at a rate that is well below its annual operating costs. As noted earlier, Historic Seattle subsidized the Wallingford Senior Center's rent by \$15,238 in 1998, and by \$89,213 since 1988.

The Wallingford Senior Center correctly states that Historic Seattle has been eligible to apply for certain types of Federal and City grants because the Wallingford Senior Center is a tenant of the Good Shepherd Center. For example, capital improvement grants under the Federal Economic Development Administration and the Older Americans Act as well as City Community Development Block Grants were secured due to the presence of the Wallingford Senior Center at

⁷The City's Division on Aging established a value for the various types of volunteer services provided by the senior centers. For example, Food Bank volunteer services are valued at \$6.50 an hour, while educational services provided by professional teachers were valued at \$20 an hour.

⁸The Greenwood Senior Center received \$17,602 in Aging and Disability Services funding in addition to rent relief through a mutual and offsetting benefit agreement.

the Good Shepherd Center. The value of the capital facilities grants was estimated at approximately \$1,000,000.

However, the Wallingford Senior Center has been able to maintain its tenancy at the Good Shepherd Center because Historic Seattle has not raised the annual rent fees for the Senior Center facilities since 1985. Although Historic Seattle has demonstrated its commitment to retain the Wallingford Senior Center at the Good Shepherd Center, it is not obligated to subsidize social services under the terms of the conveyance agreement. Historic Seattle is clearly accountable for continuing to operate the Good Shepherd Center as a self-sustaining community facility. Consequently, Historic Seattle is attempting to negotiate a mutual and offsetting benefit agreement with the City on behalf of the Wallingford Senior Center to allow the seniors to volunteer services in lieu of a full cash payment to Historic Seattle. In addition, the mutual and offsetting benefit agreement would enable Historic Seattle to increase the Wallingford Senior Center lease to a rate that is more comparable with the rate for the other not for profit tenants and to recover its full operating costs.

It should also be noted that both the City's 1994 Capital Improvement Program and the current Wallingford Neighborhood Plan identified a Wallingford-Meridian community center as an "unfunded" capital need. However, the decision to fund a community center that could potentially house the Wallingford Senior Center, or further subsidize the Senior Center's rent at the Good Shepherd Center, ultimately rests with the City rather than Historic Seattle. According to the Wallingford Senior Center, they are the only Good Shepherd Center tenant that meets the purposes of a Seattle Parks Department community center as defined in Section 23.84.018(I)3 of the Seattle Municipal Code,⁹ and that carries on the tradition of community service as envisioned in the conveyance agreement.

RECOMMENDATION: Historic Seattle should continue to pursue the mutual and offsetting lease arrangement with the City of Seattle, so the Senior Center can remain at the Good Shepherd Center. If the City does not approve the mutual and offsetting lease arrangement, Historic Seattle should continue to pursue a lease arrangement that is both reasonable for the Wallingford Senior Center and affordable for Historic Seattle.

⁹Section 23.84.018(I)3 establishes four criteria for direct services and activities in Parks Department centers. The activities and services must be: 1) operated by a non-profit organization, 2) operated on the premises rather than only administrative functions, 3) open to the general public on an equal basis, and 4) must include classes and events sponsored by non-profit organizations, community programs for the elderly, and other similar uses.

Issues Raised: Historic Seattle does not provide the Wallingford Senior Center and other tenants adequate notification and opportunity to comment on the proposed housing and public assembly development on 5 South of the Good Shepherd Center. The six-unit housing development proposed by Historic Seattle is incompatible with the existing uses of the Good Shepherd Center.

Findings: Section 11 of the conveyance agreement required Historic Seattle to disclose its plans for Phase I renovations and long range plans at least 60 days before the comprehensive site plan was submitted for adoption, and to consult with the City prior to implementing substantial Phase II and III renovations. Historic Seattle was also required to disclose substantial changes in use policies for the Good Shepherd Center to allow the City and public a reasonable opportunity to comment on the plans. Specifically, Historic Seattle was to give the Director of Community Development a copy of the plan, post the plan in a prominent location on the premises, and mail the plan or give notice of the plan to the local Wallingford Community Council and a local community newspaper.

Historic Seattle provided sufficient documentation that adequate notification and opportunity to comment was provided to all tenants regarding the proposed development of the housing and public assembly space in the Good Shepherd Center. In fact, the Wallingford Senior Center has been aware of the proposed development since 1997. However, the Wallingford Senior Center has asked Historic Seattle to post a notice inside the Senior Center regarding future proposed developments. Historic Seattle agreed to do so.

The Wallingford Senior Center also indicated that proposed housing development is not compatible with the existing school and community activities housed in the Good Shepherd Center. Security, noise, hours, elevator use, parking, building access, and trespass laws were cited as areas of potential conflict. The greater Wallingford community, including members of the Wallingford Community Council and Neighborhood Planning Committee, do not agree that the proposed housing units are incompatible with existing uses. Community representatives noted that a housing use was pre-established with caretaker residences. The President of the Wallingford Community Council also indicated that low and moderately priced housing is identified as a current priority in the Wallingford Neighborhood Plan. In addition, the proposed housing and public assembly/performing arts development is consistent with the vision articulated in the feasibility study for the Good Shepherd Center.

The public assembly space has generated greater community interest than the proposed housing, because the Wallingford community wanted to ensure that Historic Seattle's proposed development, particularly the schedule for the use of the public assembly space, adequately considers parking and traffic impacts. The Department of Design, Construction and Land Use is currently reviewing Historic Seattle's master use permit, and a decision will be made later this year on the proposed uses and related parking and traffic issues.

There was unanimous agreement among City, Wallingford Senior Center and Wallingford community representatives about the desire to complete the renovation of the Good Shepherd Center. In addition, all parties acknowledged Historic Seattle's success in restoring the historic facility and creating a desirable home for non-profit agencies in the Wallingford area.

RECOMMENDATION: Historic Seattle should continue to proceed with the master use permit process that will allow the Wallingford Senior Center and greater Wallingford community sufficient opportunity to comment on the proposed housing and public assembly projects. In addition, Historic Seattle should complete the renovation of the Good Shepherd Center.

Issues Raised: Historic Seattle improperly uses excess funds generated from Good Shepherd Center leases and hourly rental for other Historic Seattle purposes. Excess revenues generated from leases and hourly rentals should be used exclusively for the renovation and operation of the Center.

Findings: The financial management of the Good Shepherd Center rests solely with Historic Seattle based on Ordinance 105956 and the conveyance agreement. The City clearly charged Historic Seattle with developing a self-sustaining community center, and no City operating funds were provided to support the Good Shepherd Center.

Section 11 of the conveyance agreement requires Historic Seattle to account for rents, other revenues and expenditures associated with operating the Good Shepherd Center through annual audits and reports. However, the conveyance agreement does not require Historic Seattle to use Good Shepherd Center lease/rent revenues exclusively for the renovation and operation of the Center. It is likely that the Ordinance 105956 and the conveyance agreement were silent on this topic because the financial outlook was cautious when Historic Seattle assumed ownership of the Good Shepherd Center. In fact, the feasibility study was conducted for the purpose of determining whether the Good Shepherd Center building could become financially self-sufficient to protect the City against future liability for on-going operational costs.

A phased building renovation program was envisioned that would allow the use of the center and would generate sufficient income to cover management and operating expenses, and offset renovation related expenses. Only eight tenants occupied the buildings in 1976, and the feasibility study indicated that the continued involvement of income producing tenants was fundamental to the successful development of the community center. In fact, the study refers to the need to raise rents to cover operating expenses, because a gap existed between revenues and operating expenses.

Currently, 36 tenants occupy the Good Shepherd Center, and the average lease rates have increased by 94% since 1988. Historic Seattle has not only been able to develop a self-sustaining facility since the mid-1980s, but has also been able to generate additional income to support other Historic Seattle activities, consistent with its broader purpose.

However, Historic Seattle has limited the use of Good Shepherd Center revenues for other Historic Seattle activities since 1991, and has accumulated \$396,426 in reserves. (Please see Appendix 5 for a summary of Good Shepherd Center's cash flow from 1976 to 1998.) Historic Seattle has "encumbered" a majority of the reserve funds to account for the offsetting mortgage debt of \$318,573 at the end of 1998. Historic Seattle plans to eventually reinvest these

cumulative reserves in the restoration of the Good Shepherd Center, which is consistent with the requirements set forth in the conveyance agreement and its own charter. When this reinvestment occurs, Historic Seattle will have expended the accumulated Good Shepherd Center proceeds, with the exception of its 14% management fee, exclusively for the operation and restoration of the Good Shepherd Center.¹⁰

While the conveyance agreement is silent on the topic of the use of excess Good Shepherd Center proceeds, Section 3.110.080 of the Seattle Municipal Code does restrict the use of funds generated by public corporations. Section 3.110.080 requires all funds, assets or credits of the public corporation to be applied toward or expended upon municipal and community services, and projects and activities authorized by its charter. Unless new legislation is adopted by the City to restrict the use of the excess proceeds exclusively on Good Shepherd Center operations and renovations, Historic Seattle may use the excess funds for any legitimate Historic Seattle purpose.

RECOMMENDATION: None.

Issue Raised: Historic Seattle is non-responsive to tenant requests for maintenance services at the Good Shepherd Center.

Finding: There was historic documentation that supports the Wallingford Senior Center's concern about Historic Seattle's non-responsiveness to tenant requests for improvements and maintenance services. The Senior Center, City and Wallingford community representatives indicated that Historic Seattle has been more responsive to tenant requests as well as the Wallingford community under the new Historic Seattle administration. The City's Public Corporations Coordinator, who has developed an excellent rapport with Historic Seattle, the Good Shepherd Center tenants and the Wallingford community, also confirmed that Historic Seattle's Executive Director and Good Shepherd Center Manager have been very responsive and respectful of tenant requests.

In fact, the general consensus is that the Good Shepherd Center is an attractive and well-maintained facility. However, it is also important to note that many Good Shepherd Center lease agreements, including the Wallingford Senior Center lease agreement, contain "as is" clauses. The Wallingford Senior Center lease agreement not only requires the Senior Center to accept their leased area in its present condition, but to perform all maintenance and repairs at their own cost.

¹⁰Pursuant to a joint agreement between the Good Shepherd Center and Meridian Playground Advisory Board and Historic Seattle, a maximum annual management fee (e.g., funds for Historic Seattle's general operations) of 23% of gross revenue was established for 1988. The Historic Seattle Council voluntarily agreed to continue the management fee policy after the joint agreement expired on December 31, 1991. The Council subsequently reduced the fee to 14%, which was well below the percentages identified in the joint agreement. Historic Seattle's 14% management fee has remained fixed since 1994.

RECOMMENDATION: None.

Issues Raised: *Historic Seattle is allowed to ignore the purposes for which it was chartered as well as other public obligations set forth in City ordinances. The City should terminate the Good Shepherd Center conveyance agreement with Historic Seattle due to non-performance.*

Findings: The Good Shepherd Center is one of six properties currently owned and operated by Historic Seattle. Although it is an important and substantial property, Historic Seattle's purpose, as identified in the City charter, is preserving historic properties throughout the City. In fact, the City appropriated \$600,000 to Historic Seattle in Federal Shared Revenue Funds shortly after the authority was created to acquire, restore, and maintain several historically significant properties.

As noted earlier, the conveyance agreement contains specific provisions for the termination of the agreement. In 1991, the Law Department responded to an inquiry about the conditions necessary for the City to terminate the agreement. The Law Department indicated that the City would have to demonstrate that Historic Seattle had committed a substantial breach of one of the seven conditions identified in Section 26 of the conveyance agreement. In addition, the City would be required to provide adequate notification and opportunity to Historic Seattle to resolve the breach.

Chapter 3.110 of the Seattle Municipal Code also allows the City to intervene in the management of public corporations such as Historic Seattle. A trusteeship can be imposed over a public corporation, and the public corporation can ultimately be terminated for numerous reasons, including: 1) false or deceptive reporting on a material matter; 2) misuse, abuse or repeated violations of the power and authority conferred by the charter; 3) council action to unreasonably impair public participation or hinder any constituency in exercising its power and responsibilities; and 4) misapplication, waste or illegal expenditure of public corporation assets. However, a trusteeship or termination is considered to be an extreme action that must also be preceded by remedial steps.

The City Executive Services Department, Parks and Recreation Department, and Public Corporations Coordinator have monitored Historic Seattle's performance during the past 22 years. However, Historic Seattle was never informed of any significant breach that would lead to a termination of the conveyance agreement, or trusteeship or termination of its charter. In addition, even though formal City responses were prepared to specific concerns raised by the Wallingford community and Good Shepherd Center tenants during the past 22 years, no formal report has been issued on Historic Seattle's overall compliance with City policies and the agreements relevant to the Good Shepherd Center.

In fact, the documentation on file suggested that Historic Seattle's performance has consistently improved in terms of the renovation, management and operation of the Good Shepherd Center, including Historic Seattle's responsiveness to the City and community concerns. For example,

Historic Seattle significantly increased its membership¹¹ and broadened its financial base in response to the City's request in 1991 to become less dependent upon Good Shepherd Center revenues to fund its other activities.

At the same time, Historic Seattle has developed a broad tenant base at the Good Shepherd Center, increasing the number of tenants and programs from 9 to 36. (Please see Appendix 6 for a listing of 1976 and 1998 Good Shepherd Center tenants and programs.) Historic Seattle has also gradually but consistently expanded the leasable areas to 84%, and now proposes to develop six housing units and a public assembly space that will culminate in the full renovation of this historic landmark. Again, the proposed housing and public assembly projects are consistent with the vision articulated in the feasibility study for the Good Shepherd Center. While issues related to the proposed projects are still pending¹², Historic Seattle has successfully created and enhanced a functional, self-sustaining facility that largely serves the non-profit community.

Historic Seattle has developed a strong record of accomplishments since 1973, when the City authorized its charter. The following accomplishments were selectively chosen to reflect its contributions to the City:

- Developed networks with local, regional, national and other urban preservation organizations to broaden local understanding of preservation. Historic Seattle will also host the National Trust for Historic Preservation "Big Cities" Conference in Seattle in the year 2000.
- Implemented strategies to encourage a strong volunteer organization skilled in all areas of Historic Seattle operations, offering opportunities that match volunteer needs and provide for growth and recognition.
- Provided a range of public education opportunities that reach students, the general public, seniors and design professionals.
- Developed and implemented asset management plans for existing projects, and explored opportunities for collaborating with other organizations.
- Collaborated with the City on funding and management options at Sand Point and other community groups on sailing/water related activities, and on the restoration of the historic Egan House and Belltown Cottages.
- Raised funds (or received commitments) totaling \$390,000 for low-income projects and renovations of the Good Shepherd Center and Dearborn House in 1998. (Note that the historic Dearborn House, currently valued at \$1.3 million, was donated to Historic Seattle based upon its demonstrated expertise in preserving and enhancing historic landmarks.)
- Participated actively in the development of the Pioneer Square Neighborhood Plan and the development of a Pioneer Square Community Development Corporation. (Note: Pioneer Square is an historic district within the City of Seattle.)

¹¹Historic Seattle currently has more than 800 dues paying members and a total of 3,992 members who receive mailings.

¹²Historic Seattle will need a special exception process from the Department of Design, Construction and Land Use to waive 60 off-street parking spaces, needed for full building utilization. Historic Seattle is also seeking a long-term lease arrangement (77 years) for the grounds underlying the main building, which is also required to secure financing for the housing and public assembly renovation.

In summary, Historic Seattle policies and practices for the Good Shepherd Center are consistent with the City's requirements for developing and maintaining a self-sustaining, multi-purpose community center. In addition, Historic Seattle is in compliance with the relevant provisions of Ordinance 105956, which authorized the acquisition and development of the Home of the Good Shepherd in 1976. Historic Seattle is also in compliance with the conveyance agreement between the City and Historic Seattle for the restoration of the Good Shepherd Center and its operation as a self-sustaining, multi-purpose community center, and with the relevant provisions of the supplemental agreement to implement the site plan.

RECOMMENDATION: The City Council may want to consider requiring periodic compliance or operational reporting, in addition to financial reporting, for Historic Seattle and other public corporations. If so, the Council may want to identify the specific roles and responsibilities for the public corporations and relevant City agencies as well as the timeframes for reporting purposes.

APPENDIX 1

PREAMBLE TO FEASIBILITY STUDY AND ORDINANCE 105956

The following text appears as the Preamble to the Feasibility Study for the Good Shepherd Center and Ordinance 105956 that authorized the City's transfer of certain buildings and property to Historic Seattle. Legal opinions and other documents regarding the use of the Good Shepherd Center frequently reference the Preamble.

PREAMBLE

“The primary goals of the proposed project are to preserve the building and open space and to create a self-sustaining, multi-purpose community center that will provide social and other services to youth, low-income residents, the elderly and the community at large. Present community use of the facility has already generated interaction and cooperation that did not previously exist between community, governmental, social service and cultural organizations. The proposed community center offers an opportunity to focus the growing sense of community spirit and identity, and to increase the variety of available services and programs. Adaptive use of the Good Shepherd site and buildings would also preserve a community landmark, thus fostering a sense of continuity between the area's past and its future. [I]t is important not simply as a historical landmark but as a meeting place where a diversity of people and activities are juxtaposed, and as a context in which communication and interaction are stimulated and enhanced.”

APPENDIX 2

SUMMARY OF WALLINGFORD COMMUNITY COUNCIL FINDINGS AND RECOMMENDATIONS ON THE GOOD SHEPHERD CENTER

In 1997, a Wallingford Community Council Subcommittee¹³ was formed to investigate 34 issues raised by the Wallingford Senior Center and other boards, committees and individuals. The Council noted that many issues were resolved during the investigation, but documented significant findings and recommendations in a published report. The significant report findings and recommendations are summarized below, along with the actions taken by the Council in response to recommendations.

- **Finding:** Claims for specific “unwritten” uses of the Good Shepherd Center were impossible to evaluate or enforce due to the broad-based language contained in the original Conveyance and Site Agreement between the City and Historic Seattle.
Recommendation/Action: None.
- **Finding:** The City’s public comment process for Ordinance 118185, which extended the term of the lease agreement between the City and Historic Seattle to 75 years, was inadequate. In addition, the process generated subsequent criticism and opposition to Historic Seattle’s development of the Good Shepherd Center.
Recommendation/Action: Establish 25-year check points to ensure evaluation and corrections for future use of site. No action taken.
Recommendation/Action: Actively participate with Historic Seattle and other interested community groups to address the completion of the development of the Good Shepherd Center and related transportation and parking issues. Partial progress was made. Although the community has not been “very active,” continued interest was expressed in completing the Good Shepherd Center development and resolving the parking issues.
- **Finding:** Additional financial and planning information was required from Historic Seattle including the annual proposed budget and project plans, income and expenditure data, annual fund balance, and a breakdown of actual fees and income derived from the Good Shepherd Center.
Recommendation/Action: Conduct Fall meeting on Historic Seattle’s annual budget and proposed development plans for review and comment by the Community Council and the community. The Community Council worked with Historic Seattle to establish an annual financial and operational review of the Good Shepherd Center.
- **Finding:** The Wallingford Community Council supported the proposed development of the low-income housing units for the Good Shepherd Center, and noted that a housing use is consistent with Team Wallingford’s neighborhood planning efforts. In addition, the Council

¹³Three of the five Wallingford Community Council Subcommittee members were also members of the Wallingford Senior Center.

acknowledged Historic Seattle's efforts to notify the community of its proposed housing plans and to solicit input on the plans.

Recommendation/Action: The Community Council and Team Wallingford continue to support the proposed housing development.

- Finding: An effective Good Shepherd Center/Meridian Park Advisory Board is responsible for selecting tenants and balancing the full use of the Good Shepherd Center and the community's strong desire to meet the needs of the immediate community.
Recommendation/Action: Establish a greater presence on the Advisory Board by appointing well-qualified individuals to serve in its three Board positions. Limited action due to turnover and insufficient volunteers to serve on the Board.
- Finding: Although the Wallingford Community Council supported the Senior Center's interest in a reasonable and sustainable lease, an underlying issue for the Senior Center was Historic Seattle's "mismanagement of funds."
- Recommendation/Action: Continue to support the work and presence of the Wallingford Senior Center at the Good Shepherd Center.
- Recommendation/Action: Establish a two-to-five year lease for the Senior Center at a reasonable and sustainable cost. Historic Seattle offered a two-year lease at the previous lease rate to the Senior Center, but the Senior Center is now requesting free rent from Historic Seattle.
- Recommendation/Action: Wallingford Senior Center should independently pursue its inquiry into Historic Seattle's financial management, and report back to the Seattle City Council and Wallingford Community Council. A forensic audit was completed and disseminated to the Seattle City Council and Wallingford Community Council.

APPENDIX 3

GOOD SHEPHERD CENTER 1999 TENANT AND PROGRAM LISTING

TENANT NAME	TYPE	PERCENT	SQUARE FEET	BUILDING USE
		LEASE AREA		
Alliance Française	Non Profit	2.09%	1,076	Public Interest
Alliance of Information & Referral	Non Profit	0.87%	450	Public Interest
Blue Lantern Studios	Profit	7.27%	3,750	Arts
CG Jung Society	Non Profit	0.48%	250	Public Interest
Doerfler, Quantum Health	Profit	0.98%	506	Professional
Ecosystems Data Base	Non Profit	8.75%	4,514	Public Interest
Greenpeace	Non Profit	1.21%	625	Public Interest
GSC Hourly Rental Program	--	3.65%	1,882	Hourly Rental
Holistic Yoga Center	Profit	4.00%	2,065	Adult Education
International Snow Leopard Trust	Non Profit	0.98%	504	Public Interest
King County Nurses Association	Non Profit	0.57%	296	Professional
Meridian School	Non Profit	31.83%	16,420	Schools
Mills-Marshall, Therapist	Profit	0.48%	249	Professional
Munson-Kovac LMT	Profit	0.48%	250	Professional
National Organization Women	Non Profit	0.58%	300	Public Interest
Neo Art School	Profit	3.31%	1,705.5	Arts
Program/Early Parent Support (PEP)	Non Profit	2.06%	1,065	Adult Ed
Pacific Crest Biodiversity	Non Profit	0.63%	323	Public Interest
Peter Thomas, Ph.D.	Profit	1.36%	700	Professional
Pacific NW Needle Arts Guild	Non Profit	1.15%	594	Public Interest
Riley, MSW, LMT	Profit	0.45%	232	Professional
Seattle Tilth – SA Meter Shed	Non Profit	0.29%	150	Public Interest
Seattle Tilth Association	Non Profit	1.11%	575	Public Interest
SIDS Foundation	Non Profit	0.93%	481	Public Interest
Joyce Sundin Interventions	Profit	0.47%	241	Professional
Tibetan Rights Campaign	Non Profit	0.73%	374	Public Interest
Tickle Tune Typhoon	Profit	0.77%	396	Arts
Women's Recovery Center	Profit	1.36%	700	Professional
Washington Volunteer Food Bank	Non Profit	0.89%	460	Social Service
Washington Citizens disAbilities	Non Profit	5.16%	2,660	Social Service
Washington School Prof. Psych	Profit	1.94%	1,000	Adult Education
Washington Water Trails	Non Profit	1.55%	800	Public Interest
Washington Wilderness Coalition	Non Profit	1.94%	1,002	Public Interest
Wallingford Senior Center	Non Profit	8.82%	4,548	Social Service
WCC/Gray Panthers	Non Profit	0.39%	200	Social Service
Well Mind Association	Non Profit	0.47%	241	Public Interest
TOTALS				
Profit	12 Agencies	22.86%	11,794.5	
Not for Profit	24 Agencies	77.14%	39,790	
GRAND TOTAL	36 Agencies	100.00%	51,584.5	

Source: Historic Seattle Preservation and Development Authority, 1999.

APPENDIX 4

SELECT GOOD SHEPHERD CENTER TENANTS PROVIDING SERVICES CONSISTENT WITH ORDINANCE 105956 AND RESOLUTION 25341

TENANT NAME	PERCENT LEASE AREA	SQUARE FEET	DESIGNATED USES
Alliance Française	2.09%	1,076	Youth & Wallingford
Holistic Yoga Center	4.00%	2,065	Wallingford
Meridian School	31.83%	16,420	Education, Youth, Low- Income & Wallingford
Neo Art School	3.31%	1,705.5	Youth
Program for Early Parent Support (PEP)	2.06%	1,065	Youth, Low-Income & Wallingford
Seattle Tilth – SA Meter Shed	0.29%	150	Low-Income & Wallingford
Seattle Tilth Association	1.11%	575	Low-Income & Wallingford
SIDS Foundation	0.93%	481	Youth & Low-Income
Women's Recovery Center	1.36%	700	Low-Income & Wallingford
Washington Volunteer Food Bank	0.89%	460	Youth, Low-Income, Elderly & Wallingford
Washington Coalition of Citizens with disAbilities	5.16%	2,660	Low-Income, Elderly & Wallingford
Wallingford Senior Center	8.82%	4,548	Low-Income, Elderly & Wallingford
WCC/Gray Panthers	0.39%	200	Low-Income, Elderly & Wallingford
Well Mind Association	0.47%	241	Elderly
TOTALS	62.71%	32,346.5	

Source: Historic Seattle Preservation and Development Authority, 1999.

APPENDIX 5
GOOD SHEPHERD CENTER
STATEMENT OF CASH FLOW (1976-1998)

Note	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
(1)												
Cash Flow from Operating Activities												
Reimbursements from Operations		5,181		56,745	105,150	113,797	136,477	164,794	180,511	190,868	206,346	241,072
Building Operating Expenses		(5,946)	(25,966)	(111,328)	(161,634)	(157,175)	(155,796)	(167,097)	(171,816)	(177,947)	(175,223)	(173,873)
Other Income		6,566	20,152	2,977	9,824	8,513	14,807					
Net Income (Loss)		5,801	(4,814)	(51,606)	(46,660)	(34,865)	(4,512)	(2,303)	8,695	12,921	31,123	67,199
Adjustments to reconcile expenses in excess of revenues to net cash provided/used by operating activities:												
Depreciation			14,302	22,513	27,670	30,072	31,707	35,205	34,152	37,674	38,806	44,496
		5,801	8,488	(29,093)	(18,990)	(4,793)	27,195	32,902	42,847	50,595	69,929	111,695
(2)												
Cash Flow from Financing/Other Sources:												
Grants			462,965	86,341	25,000		24,080			73,317	4,182	
CETA				34,734	43,292	20,907						130,000
Mortgage Proceeds						30,000						(2,572)
Mortgage Payments and Payoffs						(942)	(6,103)	(6,865)	(8,904)	(7,016)	(170)	
HSPDA Overhead Expenses												
			482,965	121,075	68,292	49,965	17,977	(6,865)	(8,904)	66,301	4,012	127,428
(3)												
Cash Flow Used for Investing:												
Additions to Fixed Assets		(50,383)	(66,446)	(115,077)	(50,345)	(31,145)	(49,038)		(8,201)	(72,145)	(13,837)	(129,864)
		(50,383)	(66,446)	(115,077)	(50,345)	(31,145)	(49,038)		(8,201)	(72,145)	(13,837)	(129,864)
(6)												
Increase (Decrease) in Building Reserve		(50,383)	(60,645)	11,108	(23,095)	14,027	(3,886)	26,037	25,742	44,751	60,104	109,259
(7)												
Cumulative Reserves (Before Debt)		(50,383)	(111,028)	(99,920)	(123,015)	(124,058)	(113,917)	(87,880)	(62,138)	(17,387)	42,717	151,976
Property Debt at Year End						29,038	22,955	16,090	7,186	170		127,428
Reserves Available for Capital Projects		(50,383)	(111,028)	(99,920)	(123,015)	(139,089)	(136,872)	(103,970)	(65,324)	(17,557)	42,717	24,548
Total Cash Investment in GSC		50,383	116,829	577,174	692,251	742,596	822,799	822,799	831,000	903,145	916,982	1,046,846

Source: Historic Seattle, Good Shepherd Center State of Cash Flow (1996 - 1998), 1999.

APPENDIX 5
GOOD SHEPHERD CENTER
STATEMENT OF CASH FLOW (1976-1998)

	Notes	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Cash Flow from Operating Activities	(1)											
Rents & Reimbursements from Operations		266,200	289,882	323,732	328,372	376,150	370,457	404,205	442,684	466,542	498,676	516,886
Building Operating Expenses		(227,200)	(203,441)	(259,931)	(251,904)	(308,315)	(325,386)	(317,203)	(357,785)	(380,823)	(387,362)	(411,024)
Other Income						2,455	894	1,081	18,266	11,006	12,987	8,231
Net Income (Loss)		39,000	86,441	63,801	76,468	70,290	45,865	88,083	103,165	96,725	124,301	114,093
Adjustments to reconcile expenses in excess of revenues to net cash provided/used by operating activities:												
Depreciation		45,705	47,143	47,846	48,269	62,614	72,140	79,492	84,805	85,266	87,849	91,676
		84,705	131,584	111,647	124,737	132,904	118,105	167,575	187,970	181,991	212,150	205,769
Cash Flow from Financing/Other Sources:												
Grants						48,000				25,542		45,534
CETA												
Mortgage Proceeds	(2)	30,000			500,000							
Mortgage Payments and Payoffs	(3)	(14,920)	(19,268)	(28,164)	(97,528)	(30,948)	(29,310)	(21,877)	(30,992)	(23,344)	(25,166)	(27,275)
HSPDA Overhead Expenses	(4)	(62,000)	(60,000)	(58,000)	(56,000)	(54,000)	(52,000)	(56,740)	(64,533)	(66,857)	(71,613)	(73,516)
		(46,920)	(79,268)	(86,164)	(346,472)	(36,948)	(81,310)	(78,617)	(85,525)	(84,659)	(96,799)	(55,257)
Cash Flow Used for Investing:												
Additions to Fixed Assets	(5)	(34,377)	(31,599)	(26,646)	(352,255)	(115,864)	(178,815)	(55,969)	(34,471)	(66,419)	(60,218)	(92,859)
		(34,377)	(31,599)	(26,646)	(352,255)	(115,864)	(178,815)	(55,969)	(34,471)	(66,419)	(60,218)	(92,859)
Increase (Decrease) in Building Reserve	(6)	3,208	20,717	(1,163)	119,954	(19,908)	(142,020)	32,989	67,974	50,913	55,133	57,653
Cumulative Reserves (Before Debt)		155,184	175,901	174,738	293,692	273,784	131,764	164,753	232,727	283,640	318,773	396,426
Property Debt at Year End		142,508	123,240	95,073	497,545	465,597	437,287	413,410	394,418	371,014	345,848	318,573
Reserves Available for Capital Projects	(7)	12,676	52,661	79,665	(203,853)	(191,813)	(305,523)	(250,657)	(161,691)	(87,374)	(7,075)	77,853
Total Cash Investment in GSC		1,081,423	1,113,023	1,139,668	1,491,923	1,607,787	1,786,602	1,842,571	1,877,042	1,943,461	2,003,679	2,096,538

Sources: Historic Seattle, Good Shepherd Center State of Cash Flow (1996 - 1998), 1999.

APPENDIX 6

COMPARISON OF 1976 AND 1998 GOOD SHEPHERD CENTER TENANTS AND PROGRAMS

1976 TENANTS

Factory of Visual Arts provided courses and workshops to persons of any age who wished to begin or continue studies in visual arts.

Pacific Northwest Dance Association provided non-professional and professional ballet training in order to develop and maintain a professional resident ballet company in the Pacific Northwest.

Wallingford Community Council is a volunteer organization of citizens living in the Wallingford area who are concerned about the quality of life in their neighborhood.

Northeast YMCA provided after school day-care during the school year, and day-care camp for youth during the summer months.

Seattle Learning Center offered a comprehensive diagnosis and individualized learning program for children with developmental or learning problems.

Holy Spirit Montessori School provided preschool and kindergarten training and education for children whose parents live in the community.

New School for Children provided accredited private alternative education emphasizing respect for a child's uniqueness and individual learning rate.

Seattle Opera Association maintained work and storage area for the costumes, set construction and wardrobe services for the Seattle Opera.

1999 TENANTS

Alliance Française of Seattle is a non-profit, cultural and educational organization dedicated to better mutual understanding between France and other countries, by sharing the French culture and language with interested parties.

Alliance of Information and Referral (I & R) Systems promotes I & R services on a national level through the development of quality standards and methods of evaluating services, and through networking with related national organizations.

Blue Lantern Studio is a book and stationery publisher, whose products incorporate the pictures and illustrations from old picture books. In this manner, they seek to maintain and create a reverence for the visual works of our forefathers.

C.G. Jung Society is a nonprofit educational corporation formed to provide a forum for the ideas of Swiss psychiatrist Carl Gustav Jung, and to promote an understanding of Jung's analytical psychology and current use of Jungian concepts by contemporary thinkers.

Trina Doerfler D.C., N.D. is a Chiropractic and Naturopathic medical practitioner, who provides a range of treatments included in Naturopathic Medicine encompassing herbal, homeopathic and nutritional medicine and physiotherapy.

Ecosystems Database Development's purpose is to acquire, transfer, and manage scientific research and data, which will facilitate the interaction of schools and non-profit organizations with government agencies on ecological and environmental problems.

Good Shepherd Center Hourly Rental Program has one conference room and one meeting room available Monday through Saturday for hourly rentals. Many of the Good Shepherd Center tenants program public events in the hourly rental areas. Historic Seattle presents the Preserving Your Old House programs in the meeting room.

Gray Panthers is a non-profit organization of young and old people from all backgrounds fighting for a National Health Care System, adequate jobs, decent housing, rights for the disabled, maintenance of Social Security and peace.

Greenpeace is one of six nationwide offices who realize that life can be preserved by non-violent confrontation - what the Quakers call bearing witness. Through direct action, Greenpeace members seek to stop violence against the earth without committing acts of violence themselves.

Holistic Childbirth Education & Yoga Center provides programs for the family and individuals (all ages - pregnancy, birth to Seniors) that promote personal growth and body/mind awareness through yoga, massage, and holistic health education. The Center provides a newsletter three times a year to current students and serves community professionals as well as potential students.

International Snow Leopard Trust is dedicated to conserving the endangered snow leopard and the biological diversity of the snow leopard's wilderness habitat in central Asia.

King County Nurses Association is a non-profit organization whose purpose is to work for the improvement of health standards and the availability of health care for all people, and to foster and promote high standards of nursing through education.

Munson-Kovac are licensed massage therapists who specialize in treatment massage as well as stress reduction/stress management massage.

Joanne Mills-Marshall is a counselor in private practice providing in-depth psychotherapy for individuals, counseling for couples, and group process consultation for organizations.

Meridian School, Daycare, Summer Program (formerly Perkins School) provides elementary education for grades 1 through 5. Services include basic educational skills, classes in music, foreign language, PE, and library skills for 160 students with a 14-member staff. The non-academic summer program is open to any enrolled student and the community.

National Organization For Women (NOW) is a feminist civil rights organization working to achieve equality for all women and girls. NOW is a multi-issue organization and holds monthly action meetings.

Neo Art School brings art to the community in an accessible medium, and provides certified teachers, organized lesson plans, and a structured classroom approach integrated into an environment conducive to developing artistic ability and confidence in children ages 3 - 12.

The **Pacific Crest Bio-diversity Project** works to protect the forests of the Northwest. The non-profit group uses education, direct action, litigation and lobbying to promote the end of all commercially extractive uses of public lands.

The **Pacific Northwest Needle Arts Guild** is a non-profit volunteer organization dedicated to educating and encouraging individuals to pursue the needle arts, and to raise and maintain standards of technique and design.

Program for Early Parent Support (PEPS) is a non-profit agency that enables parents of infants and young children to meet parenting challenges through mutual support and shared information. A chemical dependency treatment program is offered for pregnant and/or parenting women.

Rainbow Tai-Chi: teaches tai-chi in the GSC gym. Tai-chi, the softest of the martial arts, is a slow rhythmic exercise to slow the breathing and promote relaxation. (Rainbow Tai-Chi is a sublet of the Meridian School.)

Lanie Riley, M.S.W., L.M.P., is a licensed massage therapist specializing in Swedish massage, back care and stress reduction. She provides long term health counseling and education, and teaches stress reduction, communication skills and parenting.

Cathy Rogers, N.D., is a naturopathic physician who helps restore health using nutritional and botanical remedies and by teaching self care and listening to the language of the body to uncover and support the capacity for healing and self-renewal (with Peter Thomas, Ph.D.).

Seattle Tilth is a non-profit organization of gardeners interested in environmentally sound ways of growing edible and ornamental plants. Seattle Tilth administers the City's nationally famous Community Compost Education Program and the Seattle Children's Garden and Pea Patch Program.

Sudden Infant Death Syndrome (SIDS) Foundation is dedicated to the informational and emotional support of bereaved families, to the education of the general public and professionals, and to the elimination of this tragic medical phenomenon through research.

Joyce E. Sundin is a counselor who devotes her practice exclusively to interventions, and works primarily in the field of chemical dependency. She has been successful with eating disorders, gambling, smoking, and unhealthy dependencies in work or relationships.

Tibetan Rights Campaign is a non-profit human rights organization dedicated to raising awareness about human rights violations and environmental destruction in Tibet. It supports policies that promote the right to self-determination and independence for the Tibetan people.

Tickle Tune Typhoon is a production company, producing concerts, music workshops and audio/video products for family entertainment.

Peter Thomas, Ph.D., provides psychotherapy and psychological consultation services and training for individuals, couples, and families, often at low cost to individuals with serious illness.

Wallingford Community Council is a community action organization interested in the planning and well being of the Wallingford neighborhood.

Wallingford Community Senior Center provides a community facility where senior adults can receive services and participate in activities that will enhance their dignity, and support independence and involvement in the life and affairs of the community.

Wallingford Volunteer Food Bank delivers food to low income, elderly and members of the Wallingford community. The non-profit organization works closely with the Fremont Emergency Shelter on emergency referrals to the motels on Aurora Avenue.

Washington Coalition of Citizens with disAbilities (WCCD) is a non-profit organization that promotes independent living and the social well-being of disabled individuals.

Washington School of Professional Psychology is an independent professional school providing a practitioner-oriented doctoral program in clinical psychology.

Washington Toxics Coalition is a public interest watchdog that advocates for strong pollution standards, reducing risk of unnecessary exposure to hazardous chemicals and providing solutions that prevent pollution (with Ecosystems Data Base).

Washington Water Trails Association is concerned with the development of “water trails,” and marine shoreline preservation and stewardship programs, while offering a unique recreational opportunity.

Washington Wilderness Coalition (WWC) is a non-profit organization that organizes citizen support for congressional designation of wilderness areas in Washington and protection of public lands.

Well Mind Association is a non-profit organization concerned with alternative methods, such as bio-chemical and nutritional management, for more viable answers in the treatment of most mental, emotional and behavioral problems.

Sandra Westford, M.A., C.M.H.C., is a state certified psychotherapist who specializes in helping adults of all ages work creatively through life transitions, including separation, loss, grief, aging, and death (with Peter Thomas, Ph.D.).

Women's Recovery Center offers a positive and innovative program of recovery from alcohol abuse or dependency that does not rely on AA or 12-step participation. The state certified program includes eight week intensive outpatient treatment services.

APPENDIX 7

AUDIT RESPONSES

Attached are three responses to the audit of Historic Seattle's Management of the Good Shepherd Center.

- 1) Historic Seattle Preservation and Development Authority. Historic Seattle's response is the official "executive" response to the audit report, and is included in the audit document in accordance with generally accepted audit standards.
- 2) Wallingford Community Senior Center. This document is the Wallingford Community Senior Center Board of Directors' "official" response to the audit report, and is included in the audit document as a courtesy to the Senior Center.
- 3) Wallingford Community Senior Center. This document is a "minority" response to the audit report by select members of the Wallingford Community Senior Center, as noted in the "official" response from the Senior Center Board of Directors. The response is included in the audit document as a courtesy to the Senior Center representatives.



August 18, 1999

COUNCIL OF THE
PUBLIC DEVELOPMENT AUTHORITY

M. A. LEONARD,
CHAIR

STEVE ARM

MARIA BARRETT

KAREN BEAN

KEVIN DANIELS

AMBERA DWYER

JAMES FLANN

MICHAEL HIRSCHBERG

TOM MATTHEWS

LETTONEN

STEPHANIE WARREN

PATTY WARREN

JOHN CHANEY,
EXECUTIVE DIRECTOR

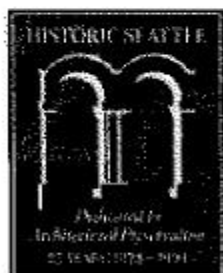
Ms. Susan Cohen
City Auditor
Office of the Seattle City Auditor
600 Fourth Avenue - Room 1040
Seattle, Washington 98104-1876

Dear Ms. Cohen

Historic Seattle Preservation and Development Authority has reviewed your Office's audit of Historic Seattle's Management of the Good Shepherd Center and accepts the audit report. Your Office conducted the audit to determine whether our management of the Good Shepherd Center was reasonable and consistent with city policies and directives. The audit has been thorough and resulted in a comprehensive and balanced presentation of the issues and findings. The recommendations give clear guidance to Historic Seattle, the Good Shepherd Center & Meridian Playground Advisory Board and the City of Seattle.

This audit reviewed the key portions of our 23 year record of stewardship at the Good Shepherd Center. The findings confirm Historic Seattle's commitment to develop and maintain the Good Shepherd Center in conformance with its agreements and policies. Historic Seattle remains committed to quality operations, maintenance and the completion of the Good Shepherd Center as a self-sustaining multi-purpose community center that serves both the Wallingford community and the larger Seattle Community while also creating an exemplary model of historic preservation.

Services to the senior community have long been a part of the Good Shepherd Center and the Senior Center has been an increasingly important asset to the changing Wallingford community. When Seattle King County Senior Services closed the Wallingford Senior Center at the end of 1995, Historic Seattle chose to lease directly with the newly created independent non-profit Wallingford Community Senior Center to facilitate the continuation of the Senior Center's tenancy. Today, the Senior Center finds it a major challenge to meet the financial needs of an independent, community based senior center and provide quality services to the senior community.



Ms. Susan Cohen
August 18, 1999
Page 2

Earlier this year, Historic Seattle proposed a Mutual and Offsetting Benefits lease to the City on behalf of the Senior Center. The effect of the MOB lease would be to reduce the Wallingford Senior Center's annual rent to an amount that is more consistent with the annual rent payment for senior centers located in City of Seattle owned buildings. Historic Seattle and the Senior Center have entered into a lease proposal predicated on a MOB lease with the City. We have agreed to work together to secure for the Wallingford Community Senior Center, the benefits now enjoyed by the other senior centers in the city.

The Good Shepherd Center remains a part of Historic Seattle's larger purpose of preserving and enhancing Seattle's architectural heritage. The fact that the City of Seattle does not provide any direct operating support for the general operations of Historic Seattle Preservation and Development Authority nor support for the operations of the Good Shepherd Center is important because Historic Seattle has a mandate to develop and operate the Center in a self-sustaining manner. Our audited financial statements and the cash flow analysis included in this audit illustrate our long commitment to the development and completion of the Center. Historic Seattle has invested over \$2 million dollars in the development of the Center. The \$2 million in capital investments included approximately \$900,000 in public grant funding and \$1.1 million in revenues generated from the operations of the Center and mortgage proceeds. Commitments have been secured for over \$1 million in additional capital improvements. Some of these improvements are currently awaiting approval of a Master Use Permit application. This work will develop 6 units of affordable housing on the fifth floor south bay, establish a public assembly/performance space in the former fourth floor chapel, replace the main building roof -and make other exterior improvements.

The Good Shepherd Center is a very special place and a model facility in the Wallingford Community. The Center represents a unique opportunity to house a multiplicity of activities in a preserved landmark building. Historic Seattle is committed to this task, and with the cooperation of the City and the community, will continue to create and maintain a facility that provides a wide range, of services and a broad variety of programs that meet the evolving needs of the community.

Sincerely,

M. A. Leonard
Chair of the Historic Seattle Council

John S. Chaney
Executive Director

WALLINGFORD COMMUNITY SENIOR CENTER

August 2, 1999

Susan Baugh
City Auditors Office
1 100 Seattle Municipal building
600 4th Avenue
Seattle, Washington 98104

Re: City Auditor's Draft Report on Historic Seattle and the Good Shepherd Center, dated
July 20, 1999

Dear Ms. Baugh,

The Wallingford Community Senior Center (WCSC) Board of Directors (Board) overwhelmingly voted to accept the draft audit dated July 20, 1999 regarding Historic Seattle Preservation and Development Authority (Historic Seattle) and the Good Shepherd Center.

There were suggestions made by the Rent Committee of WCSC to be brought to your attention. Some of these suggestions were presented to the full Board who requested they be submitted to you for possible inclusion in your final audit. They are as following:

1. Grants were given to Historic Seattle for capital improvements in the Good Shepherd Center because WCSC was located in the building. It is requested that this fact be acknowledged in the audit report.
2. It is requested that the word *only* be deleted on page 5, 3rd bullet, line 3 and on page 9, within the *Issue Statement*, line 3. It is correct that WCSC historically supported the concept that the Good Shepherd Building should be identified as the Wallingford Community Center. It is felt that including *only* in these paragraphs could suggest that people coming into the Center from outside the Wallingford area would be excluded- that was and is not the intention.
3. On page 7, paragraph I of the *Findings*, a statement is made that indicates *Community Center* is not defined in the City Zoning Code. A Board member submitted a document to Ms. Baugh with a definition by the City of Seattle.

Some minor suggestions made by the Rent Committee but were not brought before the entire Board. These are as follows:

1. On page 11 the first paragraph under *Findings*, the address on the last line is incorrect.

8/2/99

2. On page 13 concerning the paragraph RECOMMENDATION. The Rent Committee suggested the second sentence to read as follows: "If the City does not approve the mutual and offsetting lease arrangement, Historic Seattle should continue to pursue a lease arrangement that is both reasonable and affordable for the Wallingford Senior Center and Historic Seattle (moving the word affordable to include both agencies).

At the July 28th Board meeting, the WCSC Board also passed with an overwhelming margin (12 for and 1 against) the basic principles to be included in a new Lease Agreement between WCSC and Historic Seattle. One of the principles in the Agreement is a commitment for Historic Seattle and WCSC to jointly present to the City Council a request for a Mutual Offsetting Benefit Lease Arrangement (MOB). Once the City Council makes a decision regarding the MOB, the next step will be to make a lease agreement between Historic Seattle and WCSC.

You may receive additional comments from WCSC members. Any comments not included in this letter should be considered a minority report; they do not reflect the position of the Wallingford Community Senior Center Board of Directors.

The Board wants to thank you for the time you spent explaining the Draft Audit Report and responding to questions from the Rent Committee and the Board. It was greatly appreciated.

Sincerely,

Wallingford Community Senior Center
Board of Directors

William Orme, 1st Vice President

Stan Stetz, 2nd Vice President

cc: WCSC Board



July 30, 1999

Susan Baugh
City Auditor's Office
1100 Seattle Municipal Building
600 4th Avenue
Seattle, WA 98104

Dear Susan:

(1) The home of the Wallingford Community Senior Center is in our neighborhood's only potential public community center at 4649 Sunnyside Avenue North. We serve people from several northend communities. In fact, our Senior Center Boardmembers come from other communities, while the Good Shepherd Center is located in Wallingford.

(2) The Wallingford Community Senior Center questions some of the Good Shepherd policies attributed to the Historic Seattle PDA by the Auditor's Report on HISTORIC SEATTLE AND THE GOOD SHEPHERD CENTER.

(3) The Wallingford Community Senior Center wishes that the Auditor had considered more information on the Good Shepherd Center's building uses, finances and fire code violations.

(4) The Wallingford Community Senior Center Boardmembers were mostly denied an opportunity to read the Auditor's Report before voting on it. Within our same June 28 meeting agenda, the Boardmembers were summoned to vote, also, on an unseen lease proposal with a deadline of August 1, sent to us from the Historic Seattle PDA landlord.

(5) The Wallingford Community Senior Center is trying to negotiate a lease with the Historic Seattle PDA landlord, and we wish the Auditor's Report had been more neutral, so as not to undermine our lease negotiations and our center's proposed MOB

Sincerely yours,

*signature obscured for
security purposes*

Ted Jonsson
President of the Wallingford Community Senior Center